

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
May 25, 2010

Members Present: Mr. Williams, Mr. Landwehr, Mr. Reichert, Mr. Stahl and Mr. Hanson
Absent: None
Also Present: Mr. Adkins, City Attorney

Board President Williams called the meeting to order at 4:00 PM.

1. Mr. Reichert moved to approve the minutes of the April 27, 2010 meeting, seconded by Mr. Landwehr.

All voting "AYE"

2. Mr. Williams opened the meeting for comments from the public. Council Member Michael Wojcik appeared before the Board to discuss four topics:

- a. Broadband Over Power Lines. Mr. Wojcik said we need different broadband access because there is a lack of competition in the City. The citizens want competition for broadband. "We are getting gouged," he said. He asked if RPU could deliver broadband to citizens for less than \$20 per month, and whether this could be leveraged through smart grid. Mr. Williams said that some may argue that government is taking this over if RPU pursues it. Mr. Adkins said Cedar Falls, Iowa is providing this to their citizens. He also said that RPU can provide electricity, water and any other utility approved by the Council. Mr. Koshire said some communities are using fiber and some are going wireless to provide this. Mr. Adkins said he had drafted an ordinance for the Council to approve which would have allowed RPU to do this, but it was tabled and never passed.
- b. PACE (Property Assessed Clean Energy) Loans The Rochester Energy Commission has discussed this. Mr. Wojcik said we need to get infrastructure in place to handle it and a third party to administer it. Having these loans in place would serve to meet conservation needs of RPU. Mr. Wojcik said this is a popular program in other cities. The PACE loans are tied to property taxes over a 20 year period.
- c. Proposed Alternative Energy Ordinance The Energy Commission is working on an alternative energy ordinance. Mr. Wojcik said alternative energy sources such as wind turbines and solar units need to be defined in the ordinance as utility devices rather than architectural components.
- d. Underground Power Lines Mr. Wojcik said that burying power lines underground is expensive (\$45,000 for underground versus \$20,000 for overhead) and currently only done in new areas of the City by RPU. He suggested using a

project approach for burying lines for older neighborhoods such as Walgreen's, Shops on Second and Cascade Creek. He suggested that if neighborhoods petitioned for underground lines, and a majority of the residents were willing to pay \$1 per month on their bills, for example, that RPU could look into burying power lines in these neighborhoods. Mr. Williams commented that if we bury power line for one group, others would expect it. Mr. Wojcik said a policy is needed with guidelines, and suggested using Walgreen's as the first project under the policy. Mr. Koshire said that Walgreens has started construction, but we still have time to bury the lines. Mr. Williams asked if the current property owner would buy the power lines if they had incentive to do so. Mr. Wojcik said probably now because the developer has already done the landscape. He said that Mr. Adkins suggests getting the policy in place for the future. Mr. Koshire said that if this is not a new development, then the customer would pay for burying the power lines. Mr. Wojcik said there may be energy savings with growing trees to help justify the cost for underground power lines.

Mr. Adkins said that contracts are in place for other companies to use RPU's power poles and that we can't simply remove the pole without reviewing these contracts first. Mr. Adkins also said that the Utility Board can decide if the power lines are built overhead or underground, and the Council approves the budget. Mr. Williams directed staff to place RPU's underground power line procedures on the June 29, 2010 board agenda as a discussion item.

3. Mr. Naeem Qureshi of Progressive Consulting Engineers provided the Board with an update on the results of the fourth year of the RPU's water distribution system modeling study. The multi-year study was initiated in 2006. A water system computer modeling technique called extended period simulation (EPS) is being used to assist in determining the future need for additional wells, water storage tanks, and trunk water mains in each of the areas within and around the City. The fourth of the study, conducted during 2009, evaluated the higher level service areas south of Highway 52 (the Willow Heights and Airport High Level Areas, and the Saint Bridget Intermediate Area). Mr. Qureshi said that a total of six wells will be needed in the future, and that a feasibility study would be used to determine the locations of these wells. In addition, five towers will be needed at various times in the future. Mr. Rovang, Senior Civil Engineer, said that RPU monitors water demand and infrastructure, and consults with the Planning Department and state demographer to determine when to build towers and wells.
4. Mr. Todd Osweiler, Environmental Analyst, provided an update on RPU's Wellhead Protection (WHP) program to the Board. WHP is required by Minnesota Rules Chapter 4720, and is an effective approach to reduce pollution risks to drinking water by managing potential sources of contamination in the geographic area which supplies water to a public well. In his "For Board Action" request to the Board, Mr. Osweiler said that much can be done to prevent ground water pollution such as land use controls, wise use and storage of chemicals, proper waste disposal and other best management practices. The Minnesota Department of Health approved RPU's Wellhead Protection Program Part 1 report in 2004 and Part 2 in 2007.

Mr. Williams said we need to reassure the citizens of Rochester about the quality of our water. Mr. Osweiler said RPU's new water model helps us answer sustainability questions. Mr. Koshire asked if we had trend data showing the aquifer going up or going down. Mr. Rovang said the U.S. Geological Survey model will be updated at the next board meeting. Mr. Hensel, Director of Field Services, said RPU does monitor the surface of our aquifer. More refined modeling will tell us more plus the additional four observation wells that are scheduled to be built. Mr. Hensel also said that RPU has invested millions of dollars in our groundwater area.

5. Mr. Landwehr moved to approve a one-year extension of the Emerson Novaspect agreement for technical support for the control system at the Silver Lake Plant, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Emerson Novaspect and that the Board request the Mayor and City Clerk to execute the agreement for

Control System Support Services Plan - Novaspect Proposal #5495 – R1

The amount of the agreement to be SIXTY-FOUR THOUSAND SIX HUNDRED TWENTY-FOUR AND NO/100 DOLLARS (\$64,624.00).

6. Mr. Jeremy Sutton, Manager of Portfolio Optimization, said that the State of Minnesota and Public Utilities Commission require reporting of renewable energy certificates that are retired. While RPU is not required by statute to comply with this requirement, each June RPU retires the number of renewable energy credits (RECs) equal to the renewable energy obligation from the previous year. An REC is a trackable serialized credit that is attached to a megawatt of energy from a qualifying resource such as the Lake Zumbro hydro or the Olmsted Waste to Energy Facility. The Retired Certificates for 2009 are 374-MN-062008-2510-4 to 16. This information is being provided to the Utility Board as governing body of RPU.
7. The General Manager provided the following report to the Board:
 - a. Mr. Koshire informed the Board that the Southern Minnesota Municipal Power Agency (SMMPA) plans to shut down the Austin Northeast plant. RPU is working with SMMPA staff to purchase some of the Austin coal.
 - b. Mr. Koshire, Mr. Hanson and Mr. Williams met with Ms. Elaine Garry, People's Cooperative Services, and Mr. Tony Ebert, People's Board Chair, to discuss People's serving annexations within the City of Rochester. People's had calculated that the payback for RPU to serve these customers was 29 years. However, RPU has determined that the actual payback is 6.7 years. Mr. Hanson said that People's was informed that they need to come to the Utility Board and

not the Common Council in the future with their concerns.

8. The management and financial reports were discussed.

The payables were reviewed. Mr. Stahl moved to approve the accounts payable report, seconded by Mr. Reichert.

All voting "AYE"

9. Mr. Reichert moved to adjourn the meeting, seconded by Mr. Stahl.

All voting "AYE"

The meeting adjourned at 5:45 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Greg Williams
Board President
6/29/10
Date